



City of Seattle

Gregory J. Nickels, Mayor

Department of Information Technology

Bill Schrier, Director and Chief Technology Officer

DATE: June 15, 2006

TO: Honorable Councilmembers, Seattle City Council

CC: Regina LaBelle, Rona Zevin, Aimee Strasko, Tony Perez, Janet Jensen

FROM: Bill Schrier, Chief Technology Officer

SUBJECT: Transfer of Millennium Digital Media, L.L.C. Cable Franchises

I. Introduction

On February 10, 2006, the City received an FCC Form 394, Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable Television Franchise, from Millennium Digital Media, L.L.C. ("Millennium") and WaveDivision Holdings, L.L.C. ("WaveDivision"), a Delaware limited liability company, also known as Wave Broadband. This is a formal request for City approval to transfer Millennium's Seattle cable franchises to WaveDivision. Supplemental information to complete its application was filed by Millennium and WaveDivision on April 10, 2006.

Millennium currently holds two franchise agreements to provide cable television services in Seattle's Central Cable Television Franchise District (Central District and parts of Beacon Hill), Cable Franchise District One (parts of Capitol Hill and Queen Anne), and the Central Business Franchise District (downtown Seattle) (collectively, the "Franchises"). Millennium is proposing to transfer its Franchises and cable system assets to WaveDivision as further described in this report.

The transfer process is governed by federal and local laws and any transfer terms contained in a franchise agreement. Seattle's Cable Communication Ordinance (SMC Chapter 21.60) requires that the transfer process be conducted in the same manner as the granting of a franchise or franchise renewal; however, federal law requires that the City act within 120 days of receipt of a completed application. In addition, federal law and the terms of the franchise limit what information may be reviewed in making a decision and what may be made a condition of the transfer. Unlike during a franchise renewal process, the City may not require additional benefits or changes to franchise terms as a condition for consent of a transfer request, but may impose reasonable conditions. Regardless, if this transfer is approved, the City will realize benefits through the transferee's commitment to offer a lower priced cable service tier, to invest in system improvements which should enhance service quality and enable the transferee to offer advanced services such as video on demand, and to provide complimentary Internet service to City-sponsored community technology centers.

To assist the Council in making its decision, and pursuant to SMC 21.60, we provide this report in which we review the transferee's legal, financial and technical qualifications and other relevant information. We recommend that Council approve the transfer with conditions and commitments that address the issues discussed in this report.

II. Standard and Scope of the Review

The transfer of franchises and cable system assets are governed by federal and local laws and any terms pertaining to transfers included in a franchise agreement between a cable operator and the local franchise authority.

A. Federal Law

Pursuant to the federal Cable Act, 47 U.S.C. § 537, and FCC regulations, 47 C.F.R. § 76.502, the City has 120 days to act upon a request for approval of a transfer unless an agreement is reached to extend the deadline, or the request shall be deemed granted. To “act upon” means that the City must make a decision to approve the transfer, approve it with conditions, or deny the transfer within the specified federal timeframe (in this case by August 8, 2006). In making its decision, the City may review the completed FCC Form 394 and any additional information required by the terms of the franchise agreement and local laws.

B. Seattle Cable Communications Ordinance (SMC Chapter 21.60)

A cable franchise may not be sold, transferred, leased, assigned or disposed of in whole or in part without prior approval of the City expressed by ordinance, and then only under such conditions as the City may prescribe. *See* SMC 21.60.520. The City may not unreasonably refuse a request to transfer a franchise. *Id.* To obtain Council approval, the proposed assignee must demonstrate financial responsibility and the ability to comply with the provisions of SMC Chapter 21.60 (Cable Communications Ordinance), as determined by the Council, and must agree to comply with all provisions of SMC Chapter 21.60. *Id.* Similar to the granting of a franchise, the City may consider such things as 1) the applicant’s proposed quality of service; 2) the applicant’s experience, and character and background of the management and owners; 3) the cable system’s technical and performance quality; and 4) the applicant’s ability to abide by the terms and requirements of the franchise. *See* SMC 21.60.260.

C. Millennium Franchises

Under Section 14.1(B)(2) of the Millennium Franchises, the City may inquire into the qualifications of the prospective party, and the City may condition any transfer upon such reasonable conditions as it deems appropriate.

Based on the foregoing, this review will focus on WaveDivision’s legal, financial and technical qualifications, executive experience, and ability to meet or exceed the requirements set forth in SMC Chapter 21.60 and Millennium’s Franchises. In addition, our review includes a financial audit of franchise fee payments made by Millennium, a spot check of Millennium’s cable system, and a review of customer complaints received by the Seattle Office of Cable Communications (“OCC”) pertaining to Millennium. It should be noted that Millennium’s Franchises expire in March of 2008. The OCC will be reviewing service quality and technical issues, among other things, in much more depth in preparation for Council consideration of a renewed franchise to the transferee.

The OCC relied upon the documents and information listed below to evaluate the Millennium transfer:

- FCC Form 394 filed by Millennium and WaveDivision. The FCC requires cable companies seeking franchise transfers to file an FCC Form 394 with local regulators (where local rules require franchise authority consent). Form 394 discloses information about past adverse findings, financial qualifications, technical qualifications, and the transferee’s background and experience;
- Financial and economic data and projections, and other specific information provided in response to requests generated by the OCC;

- Reports from financial consultant KFA Services, including: 1) an analysis of financial data provided WaveDivision; and 2) an audit of franchise fee payments made to the City by Millennium over a two year period;
- Legal analysis from Brian Grogan of Moss & Barnett;
- Telephone discussions with local franchise authorities in Washington and California where WaveDivision has purchased established cable systems within the last 2 years; and
- Telephone interviews with executives from WaveDivision and Millennium.

III. Background

A. Millennium Digital Media

Millennium provides cable service, high speed Internet, and digital telephony service (voice over IP or VOIP services) in Washington, Oregon, Michigan and Maryland. Millennium has been providing service in Seattle since 1999 when Millennium purchased the cable system assets of Summit Communications, Inc. Millennium is headquartered in St. Louis, MO with a regional office in Bellevue, Washington. Millennium serves approximately 15,000 subscribers in various parts of Seattle as described below.

1. Central Cable Television Franchise District (Central Area and Beacon Hill, collectively “Central District”) authorized under Ordinance 118361 and transferred from Summit Communications to Millennium by Ordinance 119295. Millennium is Seattle’s only franchised cable provider in the Central District, although Comcast is authorized to serve a small portion of the Central District as of 2006.
2. Cable Franchise District One (parts of Capitol Hill and Queen Anne) authorized under Ordinance 117955 and transferred from Summit Communications to Millennium by Ordinance 119295. Millennium is an overbuilder in a limited area of the Cable Franchise District One franchise area, providing cable and other services in competition with Comcast.
3. Central Business Franchise District (downtown) authorized under Ordinance 121628. Both Millennium and Comcast compete in the Central Business Franchise District.

Pursuant to provisions in the 1996 Telecommunications Act governing small cable systems, Millennium’s rates are not regulated, and it is not required to provide a basic service tier.

B. WaveDivision

WaveDivision is a Delaware limited liability company that was formed on November 6, 2002. WaveDivision and its affiliates are privately owned and serve approximately 87,000 cable customers in California and Washington. WaveDivision is headquartered in Kirkland, Washington with regional offices in Ventura and Cerritos, CA as well as Port Orchard, LaConner, and Port Angeles, Washington. According to the filed FCC Form 394, WaveDivision was formed in 2002 for the purpose of acquiring, developing and operating superior broadband systems in major markets on the West Coast. WaveDivision acquired and began operating several groups of cable systems within the state of Washington in 2003, primarily in Kitsap County, Snohomish County, and in areas along the Olympic peninsula. More recently, WaveDivision acquired and began operating systems in California, including Ventura, Cerritos (Los Angeles area), and portions of the San Francisco Bay area.

1. Ownership and Management

WaveDivision is controlled by the Sandler V Partnerships which hold 90% of WaveDivision's Class A Membership Units. The Sandler V Partnerships include three separate Delaware limited partnerships which are commonly managed as a private equity fund by Sandler Capital Management, an entity which specializes in private and public investments in the media, communications and entertainment industries and related businesses. Steve Weed, WaveDivision CEO, and Steve Friedman, WaveDivision COO, are also part owners of WaveDivision. WaveDivision's senior management team, consisting of 7 members, has a combined 132 years of cable industry experience. WaveDivision's management is further discussed in Section V(D) of this report.

2. Services / Customer Service

WaveDivision represents that its mission is to provide 100% of its cable systems with the latest technologies including high speed Internet, digital cable, international programming options, digital video recording, and HDTV. In 2006, WaveDivision launched video on demand in its established markets and expects to offer it in Seattle within the first 12 month following the transfer. Moreover, WaveDivision offers a Limited Cable package for approximately \$23 in all of its existing markets and has stated that it expects to offer a similar package in Seattle within 12 months of the transfer. This is significant in that Millennium's lowest cable service package sells for approximately \$45, and residents in the Central District and other areas where Millennium may be the sole provider do not currently have the option of subscribing to a lower priced cable service package. WaveDivision will further assist low-income residents through its recent voluntary commitment to provide complimentary Internet services to up to 50 City-sponsored community technology centers.

WaveDivision has stated that it will not require customers to change their email addresses for the first 2 years following the transfer. This will be important for a smooth transition for Seattle subscribers.

Customer service calls for Internet, cable and other services will be handled by the existing Millennium call center in Bellevue; however, WaveDivision's call center in Kirkland will provide back up to improve customer response time. In addition to improved customer response time, WaveDivision expects to improve the quality of customer service while focusing on its goal to provide a first response resolution to customer problems.

IV. Description of Transfer

The proposed transfer of the Franchises and cable systems by Millennium to WaveDivision involves a two step transfer with the ultimate owner of the Franchises and cable systems being WaveDivision V, L.L.C. ("WaveV"), a to-be-formed Washington limited liability company which will be wholly owned by WaveDivision (the "Transaction").

According to the Unit Purchase Agreement (the "UPA"), dated February 8, 2006, by and among WaveDivision (as the buyer) and Millennium and its affiliates (as the seller), Millennium and its affiliates will organize (within five (5) days prior to the Closing Date (as defined in the UPA)) WaveV by filing a Certificate of Formation with the Secretary of State of the State of Washington and using a Limited Liability Company Agreement in a form mutually acceptable to WaveDivision and Millennium. Immediately prior to the closing, Millennium and its affiliates will transfer the tangible and intangible assets used in the operation of certain cable systems in Washington and Oregon, including the cable system and Franchises serving the City, but excluding certain programming contracts and certain other contacts related to the transferred assets, to WaveV. At the closing, Millennium and its affiliates will sell and convey to WaveDivision one hundred percent (100%) of WaveV's limited liability company membership interests. (See Attachment I for a diagram of the proposed Transaction.) The UPA provides that WaveDivision, through WaveV, will acquire these cable systems and franchises for

approximately \$72 million, subject to certain adjustments and conditions typical of a transaction of this type and size.

V. Analysis of the Transfer of Control

A. Legal Qualifications

The OCC contracted with Brian Grogan, an attorney from the law firm of Moss & Barnett who specializes in cable and telecommunications law, to conduct a legal analysis of the transfer documents. Mr. Grogan's review is set forth below.

The legal qualification standard relates primarily to the analysis of whether the proposed transferee, WaveV and its sole owner WaveDivision, are authorized to proceed with the proposed Transaction and are authorized to operate and control the cable systems/franchises serving Seattle. The applicable standard of review is that the City's consent shall not be unreasonably withheld.

The Transaction is described in Section IV of this report. The Transaction provides for the creation of WaveV and the contribution by Millennium and its affiliates of a portion of their cable systems and franchises to WaveV followed immediately by the sale of all of the WaveV membership interests to WaveDivision, the parent entity. As of the date of this report, the Office of the Secretary of State of Washington had no record of WaveV (as described in the Description of the Transaction herein). A Certificate of Existence/Authorization from the Secretary of State of the State of Washington and a Good Standing Certificate from the Secretary of State of the State of Delaware has been obtained for WaveDivision as of March 30, 2006, and March 29, 2006, respectively. These certificates confirm the authority of WaveDivision to operate in the State of Washington.

WaveDivision has stipulated that no adverse finding has been made by any court or administrative body in any civil, criminal or administrative proceeding with respect to the revocation, suspension or involuntary transfer of any authorization to provide video programming services, including cable television services.

In jurisdictions where more than one cable operator is authorized to provide cable television service, one significant concern in a transfer proceeding relates to the potential for a reduction in competition as a result of any sale or transfer of control. In particular, Section 613(d) (47 U.S.C. § 533(d)) of the Cable Act permits a franchising authority such as the City to prohibit the change of control of the cable system if the City determines that the acquisition of the cable system may eliminate or reduce competition in the delivery of cable service in such jurisdiction. Generally, this provision is of concern when one of the two franchised cable operators seeks to acquire the competing system thereby reducing competition which may have an adverse impact on subscriber rates, programming and services. In the present instance, the City will continue to maintain some competition, along with the associated benefits, because two franchised cable operators will continue to serve at least part of the community. While a legal corporate change will take place, the competition between the cable operators will remain in place upon the transfer of the cable systems and Franchises to WaveV. Therefore, the transfer will not serve to diminish the existing level of competition in the Seattle franchise areas where Millennium provides cable service.

Based upon Mr. Grogan's review, the OCC recommends that City approval of the transfer of the Franchises should be made contingent on the following:

1. The formation of WaveV and notification to the City that such entity has been formed;
2. WaveDivision provides the City with a Certificate of Existence/Authorization provided by the Washington Secretary of State that WaveV is qualified to do business in the State of Washington; and

3. The execution by WaveDivision and WaveV of an Assignment of Cable Franchise Consent Agreement attached hereto as Attachment II which includes a guaranty by WaveDivision of all of the obligations of WaveV under the Franchises.

So long as the above conditions are included in any proposed ordinance approving the transfer of the Franchises, Mr. Grogan advises that it would be unreasonable for the City to find that upon closing the Transaction the proposed transferee, WaveV, will not be legally qualified to own and operate the cable system governed by the Franchises.

B. Financial Analysis

The OCC has retained KFA Services to prepare an economic analysis of WaveDivision's financial qualifications to own and operate the Millennium cable system. KFA has extensive experience analyzing the financial workings of cable operators and has prepared a report summarizing its findings. See Attachment III. From its review of the data obtained, KFA makes the observations and recommendations outlined below.

1. WaveDivision's financial projections indicate it will be able to fund the purchase of Millennium's systems and have sufficient operating revenue to meet operating and capital expenditures, although some funds will need to be borrowed to fully meet all of its obligations.
2. WaveDivision's financial projections are in most cases at or below normal industry standards, but may be optimistic in at least two important areas: 1) subscribership and revenues; and 2) interest expenses. WaveDivision may not be able to achieve and maintain the anticipated number of subscribers in the face of actual and potential new competition in the Seattle market while continuing to raise prices.
3. Due to the uncertainties associated with the financial projections and in general with a newer company, the City should consider requiring a more substantial security fund/letter of credit or performance bond from WaveDivision in order to better secure performance of the Franchise obligations. Currently, Millennium carries a total of \$40,000 in bonds and letters of credit. Three months worth of franchise fees or approximately \$100,000 is recommended.

Based on the foregoing, and the more detailed discussion of these issues set forth in the KFA Services report, the OCC expects that WaveDivision will remain a financially viable entity. However, due to the uncertainties inherent with a newer company, the OCC recommends that an increased security fund should be required as a condition of City approval of the transfer.

C. Technical Qualifications.

Any cable operator must demonstrate that it has the requisite technical expertise to operate a cable system and to meet applicable technical and safety standards. As noted earlier, WaveDivision has operated cable systems in Washington and California since 2003 and appears to have sufficient technical expertise to operate a cable system. WaveDivision has agreed to abide by the terms of the Franchises and the Seattle Municipal Code, which include requirements to comply with applicable technical and safety codes and regulations.

WaveDivision has indicated that it is planning several capital improvements to the system being purchased from Millennium. WaveDivision intends to construct a fiber optic ring connecting its local head end with its head end in Port Orchard. Once established, this fiber loop should increase reliability of the network by providing redundant paths for signal delivery and result in fewer outages, increased signal quality, and the ability for WaveDivision to offer advanced services such as video on demand.

WaveDivision has also indicated that it will provide direct fiber optic links from local over the air broadcast origination sites to its fiber loop which should significantly improve the reception of local broadcast stations. In addition WaveDivision has stated its intention to add additional nodes to the network in an effort to provide faster, more reliable cable, Internet and advanced services.

Although WaveDivision appears to recognize that the existing Millennium cable system is in need of upgrading, the OCC has determined that there are some technical issues that need to be addressed during the transfer process. In a joint effort with King County, Columbia Telecommunications Corporation (“Columbia”) tested components of Millennium’s cable system in Seattle, including the head end, subscriber drops, and poles. In general, Columbia found that the system is outdated in many respects. Additionally, the number and types of problems found suggest that the cable operator is not conducting adequate preventative maintenance or auditing of its system. The specific violations found by Columbia during its limited spot check of the cable system are described below and a Notice of Violations and Opportunity to Cure was sent to Millennium on May 22, 2006. The OCC recommends that these franchise violations be cured immediately or within a time frame acceptable to the City:

1. The signal quality for Channel 29 (the public access channel) did not meet FCC standards;
2. Fifty percent (50%) of the tested cable drops to homes, or 8 of the 16 drops tested, do not meet the current electrical code (NEC); 25% of the noncompliant drops (4) were not grounded as required; and
3. The distribution plant power supplies do not have a remote status monitoring system which allows remote monitoring of battery charge levels as required under Section 7.6(D) of the Franchises.

The problems found above suggest that there may be system-wide compliance and performance issues. Therefore, the OCC will arrange for a more comprehensive technical and safety audit of the cable system during the renewal process. Any additional problems identified during that process will be shared with WaveDivision and WaveV for the purpose of taking corrective action. Notwithstanding, WaveDivision and WaveV are fully responsible for ensuring that the cable system is in compliance with all applicable codes and regulations. The OCC recommends that the transfer be conditioned on WaveDivision’s demonstration to the City that they have implemented a proactive approach to identifying system compliance issues, including a commitment to take corrective action when violations are found.

Finally, we note that Columbia found that certain parts of the Millennium cable system are very outdated. While this fact does not constitute a violation or serve as a reason to deny the transfer, it does raise some concerns. Some areas served by Millennium, particularly the Central District and Rainier Valley, are home to many lower- income residents who currently pay the highest cable prices in the city but may be receiving less in terms of service offerings and service quality. There is some concern that a small cable operator like WaveDivision will be unable to match the technological sophistication of more highly capitalized cable companies, and consequently residents in areas where WaveDivision is the sole provider will have fewer and less innovative service options. We appreciate that WaveDivision has indicated that it intends to upgrade the existing cable system in Seattle to ensure that all of our citizens have access to the latest services. We will provide Council periodic updates on improvements made to the existing network.

D. WaveDivision Management Experience and Ability to Comply with Franchises and SMC 21.60 Requirements

Although WaveDivision is a relatively new company, its principals have many years of management experience with other cable and telecommunications companies. Steve Weed, WaveDivision’s Chief Executive Officer, has 24 years of industry experience and Steve Friedman, WaveDivision’s Chief

Operating Officer, has 22 years of experience. The senior management team, consisting of 7 members, has a combined total of 132 years of industry experience. The majority of the current Millennium management team will continue to manage the day to day operations of the cable system.

Mr. Weed was the former COO of Summit Communications (“Summit”), and he served as President of the NW Region when Summit was sold to Millennium in 1999 until he departed in 2002 to join WaveDivision. During Mr. Weed’s tenure with both Summit and Millennium, the OCC found franchise violations by the cable companies, including illegal installation of cable facilities and provisioning of cable services to customers in areas of the City where neither Summit nor Millennium had a franchise. Attempts by the OCC to resolve such issues were often ignored and long delays ensued. During the more recent transfer process, WaveDivision representatives have been more cooperative with the City in resolving issues pertaining to the transfer.

Exhibit 4 to the FCC Form 394 addresses WaveV’s commitment to existing franchise terms and conditions:

WaveDivision V, LLC does NOT seek any modification to the term or any conditions of service or operations of the system as set forth in the current franchise. WaveDivision V, LLC intends to comply fully with all franchise provisions and to meet or exceed all applicable federal, state, and local operation requirements.

In addition, WaveV’s parent company, WaveDivision, has agreed to ensure that the transferee, WaveV, meets all of its obligations.

In order to further analyze WaveDivision’s management and its ability to comply with franchise obligations, the OCC contacted six of the local jurisdictions (3 in WA and 3 in CA) where WaveDivision currently operates cable systems. A Ventura (CA) staff member reported that the transfer in that city was seamless, with most subscribers not even realizing that a change had occurred. Kitsap County in Washington had a problem with customer bills listing the payment address on the customer’s invoice as the address of the local jurisdiction rather than the cable company. No other jurisdictions contacted had significant problems with WaveDivision either during the transfer process or during ongoing operations since the transfer.

Based on the above information, we believe that WaveDivision will have sufficient management experienced and will be able to comply with the terms of the Franchises and the Seattle Municipal Code.

D. Other Issues

To evaluate whether there were any other compliance issues that Millennium would need to resolve prior to any transfer of its Franchises, the OCC arranged for a financial audit and conducted a review of complaints received by the OCC pertaining to Millennium.

1. Franchise Fee Audit

The OCC hired KFA Services to conduct an audit of franchise fee payments made by Millennium during 2004 and 2005. KFA found that Millennium has slightly overpaid franchise fees by approximately \$3,600. KFA also found that Millennium has failed to include revenues related to late fees and other processing fees and should not have included modem rental revenue in its revenue base for calculating franchise fees. To avoid future discrepancies in franchise fees due to the City, Millennium was instructed to correct these errors in a letter from the OCC dated April 17, 2006.

2. Millennium Complaint Summary

From 2001 to the present date, the OCC has received approximately 500 complaints from a base of approximately 15,000 Millennium subscribers in Seattle. The complaints are summarized below and include a few examples of common subscriber comments.

Customer Service (120)	Resolution to Problems (110)
Long holds	No call back
Rude service representative	Unclear bills
	Credit not given
Quality of Service (275)	
Bad Reception	
Outages	

As previously discussed, WaveDivision intends to upgrade the cable system which should result in fewer quality of service complaints. Complaints regarding customer service should also decrease due to WaveDivision's stated commitment to improve customer response time and customer service quality through its back-up call center and established customer service standards that focus on a first response solution for its customers. If the transfer is approved, WaveDivision will also be required to abide by the Seattle Cable Customer Bill of Rights which provides for high service standards for all cable and Internet subscribers.

VI. Proposed Conditions

The OCC recommends a conditional approval of the transfer. Following are the proposed conditions that address the concerns found in this report:

1. Full commitment by WaveDivision principals, including both the parent company, WaveDivision and the newly formed entity, WaveV, to the obligations set forth in Millennium's Franchises and SMC Chapter 21.60;
2. A bond or letter of credit in the amount of \$100,000 to protect the City against any failure to meet its franchise obligations;
3. The formation of WaveV and notification to the City that such entity has been formed;
4. WaveDivision's provision to the City of a Certificate of Existence/Authorization provided by the Washington Secretary of State that WaveV is qualified to do business in the State of Washington;
5. WaveDivision's agreement to correct system deficiencies reported by the Columbia audit and to bring Millennium's system into compliance with application laws and regulations within a timeline established by the OCC; and
6. The execution by WaveDivision and WaveV of an Assignment of Cable Franchise Consent Agreement, attached hereto as Attachment II, which includes the conditions described in nos. 1 through 5 above.

We believe that these issues are adequately addressed by conditions in the transfer ordinance (referred to you under separate cover) and the Consent Agreement (Exhibit A to the transfer ordinance and Attachment II to this report), to which WaveDivision must agree in writing before the transfer becomes final. WaveDivision has indicated that it will agree to these conditions.

VII. Conclusion

Based on the analysis provided, WaveDivision appears to have sufficient legal, financial, and technical qualifications to warrant City approval of the transfer of Millennium's Franchises to WaveDivision with the conditions outlined Section VI of this report. As also required, WaveDivision appears to be willing and able to comply with the Franchises and Seattle Municipal Code requirements and to resolve any outstanding compliance issues reported in the Columbia technical audit report; however, as of the date of this report, the OCC has not confirmed that the technical violations described in the Columbia report have been resolved. Technically, the City could choose to deny the transfer if Millennium does not bring its cable system into compliance prior to the transfer; however, we believe that the Consent Agreement includes adequate protection to hold the transferee liable should Millennium fail to cure the violations described in the Columbia report and to move forward with additional system audits and corrections.

The draft transfer ordinance and the Assignment of Cable Franchise Consent Agreement address the proposed conditions discussed in this report and commit WaveDivision and WaveV to the obligations established under Millennium's Franchises, including resolution of any remaining technical violations and any violations found in subsequent audits of the cable system. The OCC recommends that the Council pass the transfer ordinance, and permit the Millennium transfer to go forward under the conditions established therein. The City stands to benefit from WaveDivision's commitment to bringing the cable system into compliance, offering additional and better quality services, offering a lower priced cable service tier, and providing complimentary Internet service to City-sponsored community technology centers.

Finally, we note that as part of the renewal process, a more extensive review will be conducted to determine the extent of WaveDivision's and WaveV's compliance with the Franchises and applicable law. Any issues emerging from this process will be resolved within the context of the renewed franchise.